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UNCLAS NAIROBI 000383

SIPDIS

DEPT FOR AF/E, AF/EPS, EEB/IFD/OMA
DEPT ALSO PASS TO USTR FOR BILL JACKSON
DEPT ALSO PASS TO DEPT OF LABOR FOR MICHAL MURPHY, SUDHA HALEY,
PATRICK WHITE AND MAUREEN PETTIS
DEPT ALSO PASS TO USAID/EA
DEPT ALSO PASS TO USITC FOR RALPH WATKINS
TREASURY FOR VIRGINIA BRANDON
COMMERCE FOR BECKY ERKUL

SENSITIVE

SIPDIS

E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [ELAB](#) [ETRD](#) [KE](#)
SUBJECT: KENYAN CEOS CALL FOR PEACE, RECONCILIATION, REFORMS, AND
RECONSTRUCTION

REFS: (A) NAIROBI 380, (B) NAIROBI 353

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¶1. (SBU) Summary: Over 300 CEOs from firms employing 12 million Kenyans met on February 5 to issue a strong statement on the need for peace, security, reconciliation, reconstruction, and reform for Kofi Annan to deliver to Government-ODM negotiators. Although the final text (para 8) of the CEO summit omitted figures on current and potential economic losses, the meeting and the document were widely publicized and should help keep the pressure on political leaders to reach agreement on power sharing. End summary.

Private Sector's Grim Forecasts

¶2. (U) Encouraged by mediator Kofi Annan, Kenya Private Sector Alliance (KEPSA) Acting Chairman Steve Smith, Safaricom CEO Michael Joseph and the Kenya Association of Manufacturers (KAM) organized a Business Forum on February 5 to discuss the current situation and compile a statement to the government and ODM negotiators (Note: By coincidence, both Smith and Joseph are American citizens. End note). In a strong display of concern, over 300 CEOs of large and small firms that employ 12 million Kenyans and support another 24 million, NGO reps, and diplomats filled a Nairobi hotel ballroom with grim faces to hear Kofi Annan ask them to speak out and provide leadership to help pull Kenya back from the brink. Annan described the status of the Government-ODM talks and said that Kenya could be healed with support from all stakeholders.

¶3. (U) Kenya Red Cross (KRC) Secretary General Abbas Gullet described Kenyan efforts to assist internally displaced persons (IDP) as fairly successful, but that security was still a major problem. He said the Kenyan military has training from UN peacekeeping missions, and should be deployed to help set up, run, and guard consolidated camps that would also take in the many IDPs that cannot stay much longer with family or friends. Gullet said the KRC was torn between the IDP's voluntary requests for transportation back to their ancestral homelands, and KRC's reluctance to support ethnic cleansing.

¶4. (U) Steve Smith, who in addition to his KEPSA role is CEO of Eveready Kenya, stressed that the private sector is the engine of

Kenya's economy, and that this success is based on human effort and geographic location. The private sector, he said, needs political stability and acceptable governance for continued growth and job creation for the 500,000 young people entering the workforce each year. He summarized the damage done to each sector of the economy (ref B), expressing concern Kenya could face serious food shortages in the coming months. Smith warned that growth could drop to zero or lower in 2008 under the current conditions, but said 4%-5% was still possible -- if a political solution is found quickly and the violence stops. He noted that the rest of the world is moving on, and firms could postpone or cancel investments, or even close their plants if the situation does not improve. He stressed the importance of maintaining (tribal) diversity in Kenya's private sector, calling it a key strength in maintaining growth.

¶5. (U) The closed-door discussion focused on the need to restore security, especially on the roads to permit free movement. Some advocated harsh security measures that were not well received. Ideas that received general support but were not specifically mentioned in the text were tax breaks for investors and employers, government insurance for investments against civil strife, deploying the military to keep roads secure, building the justice system into a credible and effective institution, prosecuting perpetrators of violence to end impunity, ensuring diversity and relying on merit in personnel practices, threatening to withhold tax payments until the government and ODM reach some agreement, increasing the transparency of parliament and accountability of MPs, and using all company vehicles to display and deliver messages of peace and restoration of law and order. There was disagreement over the utility or feasibility of a new election or recount.

¶6. (U) The summit's statement (para 8) was delivered to Kofi Annan and the negotiating teams, and was widely reported in the print and broadcast media. Although the businessmen omitted the dire economic statistics from the statement, they were included in the press

coverage of the event.

Comment

¶7. (SBU) By speaking so loudly with one voice in this way, the private sector in Kenya is doing what it has always done, albeit more explicitly now: Providing leadership to help temper the worst tendencies of the country's political leaders. The summit and the resulting statement should send a strong message to the political leadership of both sides, and help ratchet up the pressure now coming from all quarters for swift agreement on power sharing (ref A) as a first step towards returning Kenya to a path of peace and economic prosperity.

Text of Kenya National Compact for Peace and Stability

¶8. (U) Begin text

The Kenya National Compact for Peace and Stability

A Brief from the Business Community Meeting in Nairobi on 5 February 2008

Preamble

With the ongoing political crisis, Kenya has lost more than 1,000 citizens to violence, more than 300,000 are displaced from homes and the Kenya business has suffered immense losses of staff, property, business and confidence. The country needs to urgently find a sustainable political settlement of the current crisis so that further loss can be forestalled. At present a contraction of the economy is imminent and business is fearful of further losses which could affect decisions on investment and employment.

The business community welcomes and supports the international mediation efforts led by Mr. Kofi Annan and the team of eminent persons and urges all Kenyans to support his efforts to bring peace to our country. We are fully supportive of the efforts and desire success of the initiative.

In the views of the Business community, there are several issues that require attention in order to provide confidence for the

protection of life and property and conduct of business.

11. Immediate Cessation of Hostilities and Violence

We are concerned by the violence that has rocked the country for the past month. To this end it is important that all political leaders affirm their commitment to ending of the violence. It is imperative that the President and the Hon Raila Odinga and close political associates issue statements endorsing the mediation efforts. In addition, business expects that both leaders should jointly visit the areas affected by the violence to preach peace. All political and communal leaders should also visit the affected areas of the country to preach peace and to demonstrate their commitment to the mediation. The Government must take immediate steps to disarm the armed militias that are terrorizing citizens in many parts of the country. The communities and families from which these young people are drawn from should be encouraged to play a role in this regard.

12. Restoration of Security

No business can thrive where there is no security. It is imperative that all efforts are made to ensure that there is effective security. To this end, we commend the efforts made to enlist the services of the armed forces to ensure that security is delivered and urge continued deployment until situation normalizes. We need effective policing and the police must act to combat crime and destruction of property.

Expeditious prosecution of all criminals and facilitation of individuals in the demanding justice. Accountability of all the police and public servants and must end culture of civil and criminal impunity. We have a big responsibility to the region even as we focus on the internal affairs; we need to give the region a level of assurance through the opening of all transport corridors.

13. Political Dialogue and Mediation

In order to spur the confidence of society and the business community, it is important that a sustainable political settlement is arrived at from the ongoing mediation efforts. To this the

business community recommends a Broad based inclusive government that supports and builds on the diversity of the Kenyan people and promotes healing of the nation.

14. National Reconciliation

Kenya is a country of diverse peoples. This has been negatively affected by the crisis which admittedly has brought to the fore long-standing grievances for which the election dispute acted as a trigger. It will be necessary for the country to go through a process healing and reconciliation. We need a comprehensive dialogue and a truth and reconciliation process. This includes truth that would facilitate closure on the 2007 Presidential elections. In addition we need to ensure that this does not recur in future and therefore the country will need to invest in a long term programme of national civic education on the need to maintain diversity of the nation. We should explore criminalization of tribalism, promotion of diversity and issuance of new IDs with no tribal identity.

15. Communication of a correct and positive image

The Business community has urged its members from the media to act responsibly and to desist from airing images and messages that inflame the passions in the country. In addition, however, business is also concerned about the quality and effectiveness of government communication. Image-Kenya Brand reconstruction: The country and its image has suffered immensely from the ongoing crisis. To this end, Business commits itself and wishes to work with Government in the reconstruction of the image and brand of Kenya.

16. Economic Recovery and Reconstruction

The Private sector in Kenya is the engine of growth. The Business community commits itself to being part and parcel of the reconstruction efforts in order to get Kenya working again. To this end it is imperative that Government works with the community to: Develop an economic stimulus programme that ensures no jobs are lost and secures both internal and external investment. Such could include the establishment of a reconstruction fund as well as necessary fiscal and other incentives e.g. tax breaks. Establish a Reconstruction programme with a special focus on the SME.

Create a public works corps that engages the unemployed in building

and delivery of needed infrastructure.
Facilitate resettlement of farmers on their land to minimize the possibility of food insecurity in the country.

17. Constitutional - Legal reforms

The issues that have arisen will need to be settled in a new constitutional settlement. To this end the Business community believes that the country should agree and conclude fundamental reform that addresses equity, equality, justice and restoration of all Kenyans democratic and human rights. Such reforms must provide for management of ethnic diversity in the management of public affairs as well as management of electoral disputes among others.

End text.

RANNEBERGER